

DIRECT TESTIMONY

OF

JOHN R. HENDRIX

ON BEHALF OF

SOUTH CAROLINA ELECTRIC & GAS COMPANY

DOCKET NO. 2007-229-E

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. John R. Hendrix, 1426 Main Street, Columbia, South Carolina.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am Manager of Electric Pricing and Rate Administration at SCANA Services, Inc.

Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.

A. I am a graduate of the University of South Carolina where I received a Bachelor of Science Degree in Business Administration with a major in marketing. Since joining South Carolina Electric & Gas Company in August 1983, I have held various positions within the Rate Department. In December 2002 I assumed my present position. I have participated in cost of service studies, rate development and design, and rate evaluation programs for both the electric and gas operations. I am a member of the Southeastern Electric Exchange Rate Section.

1 **Q. WILL YOU BRIEFLY SUMMARIZE YOUR DUTIES WITH SCANA**
2 **SERVICES, INC.?**

3 A. I am responsible for the design and administration of the Company's electric rates
4 and tariffs including the electric fuel adjustment. In addition, I am responsible
5 for the Company's electric allocation studies.

6 **Q. HAVE YOU PRESENTED TESTIMONY TO THIS COMMISSION**
7 **BEFORE?**

8 A. I have testified in Fuel Clause Proceedings held for SCE&G and in the
9 Company's most recent retail electric rate cases.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
11 **PROCEEDING?**

12 A. The purpose of my testimony is to present the basis for the specific changes and
13 increases in rates and terms and conditions that the Company is proposing in this
14 proceeding. My testimony has three principal parts:

15 **Cost of Service** -- I present the Company's fully allocated cost of service
16 study. This study allocates responsibility for the revenues required to
17 operate the electric system among the various customer classes. It is
18 based on engineering, operational and financial data related to the March
19 31, 2007, test year in this case.

20 **Rate Design** -- I present the rate design the Company is proposing in this
21 proceeding. The rate design takes the revenue requirement produced by

1 the cost of service study and creates specific rates. These rates are
2 designed so that, if they had been applied during the test period, they
3 would have produced the Company's requested revenue requirement.
4 These rates will allow the Company the opportunity to earn the level of
5 revenue required to cover its costs including cost of capital in the future.

6 **Tariffs, Terms and Conditions** -- In addition, I will also present the
7 various individual changes, apart from the rate adjustments, that the
8 Company is proposing in its tariffs and Terms and Conditions of Services.

9 **Q. WHAT IS A COST OF SERVICE STUDY?**

10 A. A cost of service study determines the Company's costs of serving various
11 classes of customers (i.e., residential, small general service, medium general
12 service, large general service, and lighting). Different classes of customers place
13 different requirements on the electric system. Those different requirements are
14 based on size, different usage patterns, different service voltages, different types
15 of metering, different costs of reading meters, differences in the complexity of
16 bills, etc.

17 A key principle in regulation of utility rates is that the rates for individual
18 classes of customers should reasonably reflect the cost of serving customers in
19 that class. Accordingly, the principle underlying the allocations of plant
20 investment and expenses in a cost of service study is cost causation. The
21 allocation methodologies should reflect the basis of what caused the cost to be

1 incurred.

2 The cost of service study used in preparing the rates in this proceeding
3 uses principles and methodologies that have been accepted by this Commission
4 as appropriate for setting rates for the Company for at least the last 27 years.
5 This study is based on standard rate making methodologies recognized
6 throughout the industry.

7 **Q. WHY DO YOU REFER TO YOUR STUDY AS A FULLY ALLOCATED**
8 **COST OF SERVICE STUDY?**

9 A. To be a proper basis for setting rates in a general rate proceeding, the cost of
10 service study must allocate all the costs that comprise the utility's revenue
11 requirement among the various customer classes. If any costs are overlooked or
12 omitted, those costs would not be recovered in rates, and the rates would not
13 allow the utility a reasonable opportunity to recover its costs including the cost of
14 capital allowed by the Commission.

15 **Q. WHAT IS THE SOURCE OF THE COST COMPONENTS THAT ARE**
16 **REFLECTED IN YOUR COST OF SERVICE STUDY?**

17 A. The cost of service study and rate design are based on the cost components set
18 forth in the Application and the testimony of the Company's other witnesses.
19 These components are comprised of revenue and expenses and rate base items
20 and are based on test year data including the proposed pro forma adjustments
21 discussed in Mr. Swan's testimony, and the cost of capital testimony by the

1 Company's other witnesses.

2 **Q. WOULD CHANGES IN RATE BASE AND RETURN COMPONENTS**
3 **AND OTHER DATA INVALIDATE YOUR STUDY?**

4 A. Not at all. The cost of service study provides an analytical and factual basis for
5 allocating the Company's costs based on the engineering and operating
6 characteristics of the electric system, the attributes of the various customer
7 classes, and the demands placed on the system by customers. Those
8 characteristics and demands are not dependent on the overall amount of costs to
9 be allocated in establishing rates. However, because specific elements of cost are
10 allocated differently in the study, care is needed to adjust the results of the study
11 if particular elements of cost are changed.

12
13 **THE COST OF SERVICE STUDY**

14 **Q. WHAT ARE THE STEPS IN PREPARING A COST OF SERVICE**
15 **STUDY?**

16 A. There are three principal steps in preparing a cost of service study:

17 First, we functionalize the rate base and return components that comprise
18 the revenue requirement.

19 Second, we classify return and rate base components according to the
20 causation of those costs, either demand, energy, or customer related.

21 Third, after the above steps are completed, the cost components related to

1 each function are allocated to the appropriate class of customers reflected in the
2 manner in which the costs are incurred.

3 **Q. PLEASE EXPLAIN HOW YOU FUNCTIONALIZE COSTS.**

4 A. The Company records its costs using the Uniform System of Accounts of the
5 Federal Energy Regulatory Commission. These accounts functionalize the
6 Company's costs among the key functions of an integrated electric utility, the
7 primary categories of which are production (generation), transmission and
8 distribution.

9 **Q. PLEASE EXPLAIN THE CLASSIFICATION OF COSTS.**

10 A. In the next step of the process, the classification of costs, we place costs into
11 groups according to cost-causing characteristics related to those costs. These
12 cost-causing characteristics are defined as demand related characteristics, energy
13 related characteristics, and customer related characteristics.

14 **Q. PLEASE DEFINE DEMAND RELATED COSTS.**

15 A. Demand costs are classified as costs which were incurred in proportion to the
16 kilowatts of demand imposed on the various segments of the system by our
17 customers. Costs which are demand related costs include the major portion of the
18 Company's investment and related expenses in its production and transmission
19 facilities and a significant portion of the investment and related expenses of its
20 distribution system. The investments and expenses that are allocated using
21 demand allocators are those that are incurred to ensure that the Company can

1 meet the demand customers place on the system for electricity in a reliable and
2 cost effective manner. Accordingly, customers cause the Company to incur these
3 investments and expenses based on their contribution to demand on the system.
4 By the same token, the costs allocated using demand allocators tend to be costs
5 that remain constant over the short run and do not change based on the amount of
6 power being used on the system.

7 **Q. PLEASE DEFINE ENERGY RELATED COSTS.**

8 A. Energy related costs are defined as those costs which vary with the number of
9 KWH consumed on the system. These costs are also classified as variable costs.
10 Customers cause these costs to be incurred by their consumption of energy on the
11 system. For that reason, allocators based on KWH sales are used for these costs.

12 **Q. PLEASE DEFINE CUSTOMER RELATED COSTS.**

13 A. Customer related costs are those costs which are incurred primarily as a function
14 of the number of customers served. These costs include items of investment and
15 related expenses in the functional category of meter investment and expenses,
16 customer accounting and sales expense, investment and expenses related to
17 secondary lines and services, and a portion of investment and expenses related to
18 transformers. Customer costs do not vary significantly with the customers'
19 volume of usage, individually or as a customer class. However, these costs do
20 vary with the number of customers in a class and with the size of the customers
21 in the class (i.e., the voltages at which they take power, the maximum size of

1 their meters, etc.).

2 **Q. PLEASE EXPLAIN THE ALLOCATION OF COSTS.**

3 A. The first step in allocating costs is the development of specific allocation factors
4 to allocate the cost components to the various customer classes. In the
5 development of the allocation factors, a principle of “equivalent level of service”
6 is followed to ensure that the customer classes are allocated cost components for
7 only those levels of the system involved in service to their members. For
8 example, the level of service concept ensures that an industrial customer who
9 receives service at transmission voltage is not allocated a portion of the
10 distribution system.

11 **Q. WHAT DEMAND ALLOCATORS WERE USED TO ASSIGN DEMAND**
12 **COSTS TO THE CUSTOMER CLASSES?**

13 A. Two specific demand allocators were developed to assign demand costs to
14 customer classes: the coincident peak demand (CP) allocator for production and
15 transmission costs, and the non-coincident peak demand (NCP) for distribution
16 costs.

17 **Q. WHAT IS THE CP ALLOCATOR?**

18 A. The CP allocator is developed based on the contribution which each customer
19 class contributed to the system territorial peak demand experienced during the
20 test year. The Company’s territorial peak demand always occurs between the
21 hours of 2 p.m. and 6 p.m.; therefore, the Company has historically used the

1 average peak in this four hour band. This four hour band is used, rather than the
2 instantaneous peak, because individual classes have different load characteristics
3 within this four hour band, and wide swings in allocated costs could occur each
4 time rates are set if the single instantaneous peak were utilized. This four hour
5 band CP allocator provides consistency in allocation of costs and the Company
6 has used the four hour band with the Commission's approval in all electric rate
7 proceedings for the last 27 years.

8 **Q. WHEN DID THE PEAK DEMAND USED IN THIS STUDY OCCUR?**

9 A. The peak demand used in this study occurred on August 3, 2006.

10 **Q. HOW IS THE CP ALLOCATOR USED?**

11 A. The CP allocator was utilized to allocate investments and demand related
12 expenses associated with the production and transmission functions of the
13 Company because system peak is the prime determinant of the amount of
14 production and transmission facilities that the Company must install to meet
15 customer demands.

16 **Q. WHAT ALLOCATOR IS USED FOR DISTRIBUTION INVESTMENT**
17 **AND EXPENSES?**

18 A. The non-coincident peak allocator is the basis for allocating demand related
19 distribution investments and expenses. The NCP allocator is developed by taking
20 the non-simultaneous peak demands of the different classes whenever they
21 occurred during the year.

1 **Q. WHY DO YOU USE A NON-COINCIDENT PEAK FOR ALLOCATING**
2 **DISTRIBUTION INVESTMENT?**

3 A. Distribution facilities include the low voltage lines, transformers and related
4 facilities that serve individual neighborhoods, rural areas and commercial
5 districts. They do not function as a single integrated system in meeting system
6 peak demand. Instead, the distribution system serving each neighborhood, rural
7 area or commercial district must be able to meet the peak demand in that area
8 whenever it occurs. Accordingly contribution to non-coincident peak is the
9 appropriate measure of customers' responsibility for these costs because it best
10 measures the factors that drive investment in that part of the system.

11 **Q. WHAT ALLOCATOR WAS USED TO ASSIGN ENERGY COSTS TO**
12 **CUSTOMER CLASSES?**

13 A. Energy costs reflect the variable cost of producing, transmitting and delivering
14 electricity using the system already in place. Therefore, the Company's energy
15 sales during the test year by class of customers were used to allocate these costs.
16 An example of a cost allocated on this basis would include fuel.

17 **Q. PLEASE EXPLAIN THE DEVELOPMENT OF THE ENERGY**
18 **ALLOCATORS.**

19 A. The energy allocators are developed from the annual kilowatt hour sales by class
20 of customer adjusted for system losses. We collect data on energy usage by
21 customer class and we used actual test period data in making the allocation.

1 **Q. PLEASE EXPLAIN THE DEVELOPMENT OF THE CUSTOMER**
2 **ALLOCATORS.**

3 A. Customer-related allocation factors were based initially on the raw number of
4 customers in the respective classes during the test period. To create more precise
5 customer allocation factors, we utilized both weighted and non-weighted
6 determinants. For example, we allocated billing expenses between customer
7 classes based on the average number of customers in the class. This non-
8 weighted allocation reflects the fact that the cost to produce, mail and otherwise
9 process a bill does not vary significantly between customer classes.

10 On the other hand, the cost of reading meters and establishing billing
11 determinants varies substantially between customer classes. Larger customers
12 with more complex metering equipment and more complicated bills require more
13 effort and cost for billing. Accordingly, we developed the factors used for
14 allocating billing expenses between customer classes by weighting the average
15 number of customers in the class (a) by the average time required to read a
16 typical meter for customers of that class, and (b) by the average time required to
17 develop billing determinants for customers in that class.

18 **Q. HOW WERE THE RATE BASE AND RETURN COMPONENTS**
19 **CLASSIFIED AND ALLOCATED TO CLASSES?**

20 A. The rate base and return classifications and allocations were made using standard
21 methodologies as testified above. EXHIBIT NO. _____ (JRH-1) shows the

1 classifications of investment and expense items and the factors on which specific
2 investment and expense items were allocated. The next exhibit, EXHIBIT NO.
3 _____ (JRH-2), details the development of the cost of service and the resulting
4 allocations that set forth the fully distributed cost of service for the test year as
5 adjusted.

6 **Q. DOES YOUR COST OF SERVICE STUDY FOR THE TEST YEAR**
7 **PROPERLY DISTRIBUTE COSTS OF PROVIDING ELECTRIC**
8 **SERVICE TO CUSTOMER CLASSES?**

9 A. Yes. The cost of service study presented here provides a proper foundation for
10 distributing costs among classes since it recognizes cost causation and distributes
11 costs accordingly. This study also provides a proper basis for determining cost-
12 based rates and is a major component of fair and equitable rate design. The cost
13 of service study also provides a reasonably accurate measure of profitability
14 among classes of customers. It is fully consistent with past precedent and
15 practice of the Commission in setting rates for the Company.

16 **Q. PLEASE EXPLAIN HOW YOU DEVELOPED THE REQUESTED**
17 **REVENUE.**

18 A. The requested revenue is based on the rate of return information contained in
19 EXHIBIT D-II, page 2 of 3 of the Company's Application. This information
20 shows the rate of return that the Company earned during the test year was
21 deficient and indicates a need for a net revenue increase of \$118,088,000 to

1 allow the Company to earn a compensatory return on its retail electric service.

2 **Q. HOW WAS THE REVENUE INCREASE BY CLASS DEVELOPED?**

3 A. In developing an appropriate distribution of the revenue increase to the various
4 classes of customers, the cost of service is used. From it, we ascertain our total
5 revenue requirement and the percent by which our revenues must increase to
6 meet this requirement. For ease of analysis, assume that the Company requires
7 a 9% overall retail rate of return and this equates to an overall 10% revenue
8 increase. If we then adjust the rates for each class of customer so that each
9 class return equals 9%, we would realize our revenue requirement and each
10 class would be paying its exact cost to serve.

11 While from a pure academic standpoint, this solution has appeal, the
12 circumstances of our customers are much more dynamic and the relationship of
13 customer costs cannot be so easily maintained. Please refer to my EXHIBIT
14 NO. ____ (JRH-3). This exhibit shows that based on the adjusted test year
15 results, the residential and large general service classes started out below 100%
16 while the other classes were either at 100% or above. With the proposed
17 revenue increases, all classes were either kept at or moved toward 100%.

18 In proposing these revenue increases, we are adhering to a long standing
19 regulatory policy that rates should produce rates of return among classes that
20 bear a reasonable relationship to the overall retail rate of return. As a guide, the
21 Company has historically considered (and the Commission has accepted) that a

1 reasonable relationship exists to the overall retail rate of return so long as each
2 customer class falls within plus or minus 10% of the theoretical 100%. This
3 bandwidth allows the Commission flexibility to take into consideration public
4 policy issues while making its decisions concerning how to allocate increases
5 in revenue requirements.

6 The Company continues to use the plus or minus 10% standard as a
7 guide. Please refer to my EXHIBIT NO. _____ (JRH-3). This exhibit shows
8 that all classes except small general service are within plus or minus 10%. We
9 moved small general service more than any other class, from 120% to 113%, or
10 7 percentage points, which means this class received the smallest increase of
11 any class. However, at 113% the small general service class falls outside this
12 band, but only slightly. In spite of this situation, we continue to believe that
13 utilization of the plus or minus 10% bandwidth as a guide is reasonable and
14 allows flexibility over the long run. Moreover, we believe it is important to
15 take measured steps when adjusting rates among the classes of customers.

16 17 **RATE DESIGN**

18 **Q. WHAT IS THE COMPANY'S OBJECTIVE IN THE RATE DESIGN**
19 **EFFORT?**

20 **A.** Our continuing objective in rate design is to provide electric service to our
21 customers at fair prices while earning an adequate return for investors. The

1 objectives of our rate design effort have been to price rates appropriately, to
2 maintain a reasonable level of simplicity in rates and to continue to offer rate
3 choices that meet customer needs.

4 We believe that rates should be designed to recover costs and provide
5 clear market signals to promote the efficient use of electricity. Prices should
6 encourage off-peak use, higher load factors and investments in energy efficient
7 equipment. Rates should help customers improve their efficiency and their
8 ability to compete in domestic and foreign markets. We want to encourage new
9 customers to locate in South Carolina as well as keep existing customers in the
10 State.

11 In addition, we believe that rates should be set so that rates and revenues
12 will be stable and predictable over time, offering a sense of continuity. We
13 want to offer helpful rate choices to our customers. But we also want rates to
14 be as simple and understandable as possible so that customers can understand
15 their options and use them to their best advantage.

16 In this proceeding, we reviewed those objectives against our existing
17 rates, and have determined that the existing rate structure does not require
18 substantial modification at this time.

19 **Q. ARE THERE ANY PROPOSED CHANGES THAT AFFECT ALL OF**
20 **THE ELECTRIC RATES?**

21 **A.** Yes. The Basic Facilities Charge (BFC) for all rates has been increased. Even

1 after the proposed increase, the amount of the charge will still be significantly
2 less than the actual and continuous expenditures necessary to provide
3 customers with the ability to use electricity. The requested BFC and the actual
4 costs from this cost of service comparison for all rates can be seen on
5 EXHIBIT NO._____(JRH-4).

6 **Q. WHAT OTHER ADJUSTMENTS TO RATES ARE YOU PROPOSING?**

7 A. There are two changes, other than the increase we are proposing in our rates.
8 First, we are adding language to the availability section of Rate 23 to include
9 mining operations which is designated with the first two digits of the Standard
10 Industrial Classification (SIC) as 10-14. The Company has traditionally
11 considered mining to be within the definition of industrial sales and for that
12 reason has allowed mining operations to take service under Rate 23. Therefore,
13 we are adding this language to align the tariff with our past and present
14 business practices.

15 We are also adding language to the Rate 23 availability section to
16 include the classification for the North American Industry Classification
17 System (NAICS). This code mirrors the SIC code and allows both set of codes
18 to be used to determine the availability of this tariff for customers.

19 The second change in rates involves our lighting rates. The Energy
20 Policy Act of 2005 bans the use of mercury vapor ballasts manufactured or
21 imported after January 1, 2008. We offer two fixtures that are affected by this

1 ban. They are 100 and 175 watt mercury vapor, open style luminaries. These
2 lights are on Rates 17, 26 and Residential Subdivision Street Lighting and are
3 designated on our proposed rates as not available after January, 2008.
4 Customers will have other options available with our existing lights as these
5 lights are replaced or for new installations.

6 Also, as an option for our customers who are sensitive to dark sky
7 environmental issues, we are proposing two new lights. These lights will meet
8 the classification of “full cutoff” as designated by the Illuminating Engineering
9 Society of North America (IESNA). The goal for this offering is to reduce sky
10 glow, lower glare and limit light trespass. The lights being offered are a 175
11 watt mercury vapor fixture which is compliant with the Energy Policy Act of
12 2005 and a 150 watt high pressure sodium fixture. These fixtures and the
13 associated poles will be designated as “Shepherd” and are being added to Rate
14 18. Also in Rate 18, we are adding in the availability section language that
15 clarifies that this rate schedule is available to all customers including municipal
16 customers. This is being added to ensure that municipal customers are
17 completely clear that they have choices for lights other than those that are on
18 Rate 17.

19 Additionally, language intended to align eligibility requirements with
20 current business practices has been added to the residential subdivision
21 customer charge section of Rate 18 and the availability section of the

1 residential subdivision lighting tariff.

2
3 **TERMS AND CONDITIONS OF SERVICE**

4 **Q. IS THE COMPANY PROPOSING ANY CHANGES TO ITS GENERAL**
5 **TERMS & CONDITIONS FOR ELECTRIC SERVICE?**

6 A. Yes. The changes that the Company is proposing are not substantive and
7 involve only clarifications or grammatical corrections.

8 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

9 A. Yes.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

CLASSIFICATION OF INVESTMENT

DOCKET NO. 2007-229-E

ITEM	CLASSIFICATION		
	Customer	Demand	Energy
PRODUCTION PLANT & CWIP		X	
TRANSMISSION PLANT & CWIP	X	X	
<u>DISTRIBUTION PLANT & CWIP</u>			
SUBSTATIONS	X	X	
LINES	X	X	
TRANSFORMERS	X	X	
METERS	X		
SERVICES	X		
GENERAL & COMMON PLANT	X	X	
<u>MATERIAL & SUPPLIES</u>			
FUEL			X
OTHER	X	X	
WORKING CAPITAL	X	X	X

SOUTH CAROLINA ELECTRIC & GAS COMPANY

CLASSIFICATION OF INVESTMENT

DOCKET NO. 2007-229-E

<u>ITEM</u>	<u>CLASSIFICATION</u>		
	<u>Customer</u>	<u>Demand</u>	<u>Energy</u>
<u>EXPENSES - O & M</u>			
PRODUCTION		X	X
TRANSMISSION	X	X	
DISTRIBUTION	X	X	
CUSTOMER ACCOUNTS	X		
CUSTOMER SERVICE	X		
SALES	X		
ADMINISTRATIVE & GENERAL	X	X	X
<u>DEPRECIATION</u>			
PRODUCTION		X	
TRANSMISSION	X	X	
DISTRIBUTION	X	X	
GENERAL & COMMON	X	X	
<u>TAXES</u>			
PROPERTY	X	X	
GENERATION			X

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
ELECTRIC COST OF SERVICE STUDY
12 MONTHS ENDED MARCH 31, 2007**

The Company's electric cost of service study develops the rates of return for the various classes of service. These classes generally reflect different rate schedules of the Company and were established based on similarity of customer characteristics. The classes of service for this cost of service study are as follows:

<u>Class</u>	<u>Rate Schedule</u>
Residential	1, 2, 5, 6, 7, 8
Small General Service	3, 9, 10 11, 12, 13, 14, 15, 16, 19, 22, 28
Medium General Service	20, 21, 21A
Large General Service	23, 24, Contracts
Street Lighting	17, 18, 25, 26, Contract Lighting, & Subdivision Lighting

The rate of return for each class of service is developed by a procedure fully allocating total revenues, expenses, and rate base. The operating expenses for each class of service are deducted from the operating revenues for that class to develop its operating return. Prescribed additions and deductions are then made to derive the allocated total income for return which is divided by the allocated total original cost rate base to determine the rate of return for each class of service.

Expenses and rate base items are first assigned to functional groups based on the usage of plant facilities. Each of these functional groups is then separated into items which are directly assignable to a particular customer or class of service and those that are to be allocated to all customers or classes of service. Each cost item is then further broken down into one or more of the cost causations – demand, energy, and customer. After the above steps have been completed, each cost component of each function is allocated to the appropriate classes in the manner in which it is incurred.

To expedite the computations, cost of service computer software was used to perform the mechanical operation of allocating the cost and rate base items from

developed demand, energy, and customer data and from dollar amounts internally calculated. Once this was complete, the cost of service program computed the dollar amounts of each functionalized item allocated to each class of service and calculated a rate of return for each class.

I. Functionalization of Cost and Expenses

South Carolina Electric & Gas Company utilized accounting systems prescribed by the Uniform System of Accounts of the Federal Energy Regulatory Commission. These classifications prescribe precise accounting procedures for reporting on revenue, expense, and balance sheet items including utility plant. The plant accounting system also provides for segregation of both plant and the related accumulated provision for depreciation into well recognized functional categories.

The operating income is segregated into standard accounts and groups which cover all operating and maintenance expenses for the various categories of utility plant as well as other revenue deductions. These categories of plant and expense accounts relate to production, transmission, distribution, and general plant, and also to such customer expenses as service and information, sales, customer accounting, and general and administrative. These segregations were used in the process of identifying plant and expense for the allocation process.

II. Cost Components

There are three causation components which are identified as follows.

(A) Demand

Demand costs were classified as those costs which were incurred in proportion to the kilowatts of demand imposed on the various segments of the system. Costs which were demand related were the major portion of the investment and related expenses in the production and transmission facilities and a portion of the distribution system.

Analysis was made of the manner in which the system was designed to meet the requirements of the customers. It was determined that two different demand responsibility methods were appropriate for allocating the demand costs to properly reflect the manner in which they were incurred by the Company. It was necessary to determine the demands of the various customer classes prior to making the allocations.

1 In some instances, the data was available from Company records. In others, it was not
2 available. In order to obtain data on customers not available from Company billing or
3 dispatching records, the Company's class load research was used to obtain the
4 remaining load responsibilities.

5 (B) Energy

6 Energy costs were defined as those costs which vary with the number of KWH
7 generated and purchased. These costs were allocated to each class of service in
8 proportion to KWH sales to that class.

9 (C) Customer Costs

10 Customer costs were defined as those items of investment and the related
11 expense which were primarily a function of the number of customers served. These
12 include the functional categories of meter investment and expenses, customer
13 accounting and sales expenses, secondary lines, services, and a portion of
14 transformers.

15 **III. Allocation Factors**

16 Factors were developed to allocate the cost components to the customer
17 classes. In the development of the required allocation factors, a principle of "equivalent
18 level of service" was followed to insure that the customer classes were allocated cost
19 components for only those levels of the system involved in service to their respective
20 customers. For example, the level of service concept insures that an industrial
21 customer who receives service at transmission voltage is not allocated a portion of the
22 distribution system.

23 (A) Demand Factor

24 The factors used in the allocation of the demand component of costs to the
25 various classes of service are:

26 (i) The Coincident Peak (CP) was used for the allocation of the production
27 and transmission power supply costs. The coincident peak allocation factor was based
28 on the hours of 2:00 p.m. and 6:00 p.m. on the territorial peak day. The contribution of
29 each class of service to the four-hour peak demand was used to determine its
30 coincident peak responsibility. The peak demand responsibility for each class of service

1 was determined by adjusting demands at customer levels by the appropriate loss
2 factors through each voltage level of the system to the generation level.

3 (ii) The Noncoincident Peak (NCP) was used to allocate the cost of a part
4 of distribution facilities to the various classes. The maximum annual demands of each
5 class of service at customer delivery points were adjusted for losses at the different
6 levels within the system to the transmission system.

7 (B) Energy Factor

8 Energy sales by classes of service were used as the energy allocation factor.
9 This factor is the ratio of sales at the generation level for each class of service.

10 (C) Customer Factor

11 Customer factors were based on the average number and location of customers
12 connected to our system.

13 (D) Revenue Factor

14 Revenue factors were based on the revenues that were recorded for each of the
15 classes of service.

16 **IV. Allocation of Rate Base Items**

17 The system of accounts followed by South Carolina Electric & Gas Company
18 does not permit all costs to be directly assigned to classes of service. A detailed
19 analysis based on use of electric plant and related operating expenses was necessary
20 to determine the costs incurred in serving the various classes of customers. It should
21 be noted that some of the functional classifications were subfunctionalized where
22 necessary.

23 Allocation of electric plant begins with an analysis to determine what facilities, if
24 any, can be directly assigned to a particular customer or group of customers. These
25 facilities, since they are for use only by a particular customer or customers, are directly
26 assigned to the class of service to which the customer belongs. These direct
27 assignments are not allocated to the entire system.

28 (A) Production Plant

29 Production plant was allocated based on the Coincident Peak (CP) demand
30 allocation factor that represents all KW demands at generation level at the time of the
31 Company's territorial peak.

1 (B) Transmission Plant

2 The Company has two levels of transmission – bulk power transmission and sub
3 transmission. The bulk power transmission consists of all 115 KV and higher
4 transmission facilities. The sub transmission level of service consists of the 46 KV
5 and 33 KV systems.

6 After determining the facilities that could be directly assigned, the remaining
7 facilities were allocated using the Coincident Peak (CP) demand allocation factor.

8 (C) Distribution Plant

9 Distribution plant was analyzed to determine if any facilities could be directly
10 assigned. The remaining investment dollars were then allocated using the
11 Noncoincident Class Peak (NCP) demand allocation factor at the primary level on the
12 distribution system. Overhead lines in the distribution function were separated into the
13 primary and secondary level. The primary level was considered demand related and
14 the secondary level was considered customer related.

15 As with overhead lines, the percentage of primary and secondary underground
16 lines was determined through analysis. The allocation of the primary and secondary
17 underground lines was achieved using appropriate class peak demand factors and
18 customer factors.

19 The Company's records detailed the investment in such items as line
20 transformers, arrestors, switches, and line capacitors. Line capacitors were assigned to
21 the bulk power transmission function in conforming with engineering system design
22 considerations. Following the same considerations, the investment in arrestors was
23 assigned to the primary level. All line transformers and switches were assigned to the
24 secondary function. Using a transformer size of 25 KVA with 4 customers attached, this
25 secondary function was separated into capacity and customer components.

26 The services account relates to the secondary function and is customer related.
27 Allocation of services was made using the customers at the secondary level excluding
28 the street light customer class.

29 The assignment of meter investment, installations on customer premises, and
30 street lighting investment was done on a direct assignment basis. A customer weighted
31 factor was used in assigning the meter investment.

1 (D) General, Common and Intangible Plant

2 General plant was divided into land and land rights and other general plant and
3 then allocated to the various classes of service based on total allocated labor, excluding
4 administration. Intangible and common plant investments were allocated to the various
5 classes using the same method used to allocate the general plant investment.

6 (E) Accumulated Provision for Depreciation

7 The accumulated provision for depreciation was available by function from the
8 Company's records. Allocation was made on the basis of total allocated plant in service
9 less land and land rights.

10 (F) Material and Supplies

11 The fuel inventory of materials and supplies was assigned to the energy
12 component and allocated on annual kilowatt-hour sales at the generation level. The
13 remaining materials and supplies items were assigned and allocated on the various
14 allocated plant-in-service accounts to which the items relate.

15 (G) Working Cash

16 An allowance for cash working capital was included for operation and
17 maintenance expenses, excluding purchased power, in proportion to the allocation of
18 those items to each class of service.

19 (H) Prepayments

20 Prepayments were divided into three areas: payments related to plant-in-service
21 were allocated on total allocated plant-in-service, payments related to other taxes were
22 allocated on total allocated other taxes, and payments related to retail sales were
23 allocated on revenue derived from retail sales.

24 (I) Accumulated Deferred Income Taxes

25 Accumulated deferred income taxes, generally from liberalized depreciation,
26 were analyzed and divided into three functions – production, transmission and
27 distribution, and general and common – and allocated on applicable plant-in-service.

1 (J) Average Tax Accruals

2 Average tax accruals were allocated using a factor comprised of the total of the
3 allocated other taxes, state income taxes, and federal income taxes.

4 (K) Customer Deposits

5 Customer deposits are directly assigned, based on an analysis of customer
6 deposits by class of service.

7 (L) Injuries and Damages

8 Injuries and damages were allocated to each class of service on total allocated
9 plant-in-service.

10 **V. Allocation of Return Items**

11 (A) Operating Revenues

12 Revenue from sales of electricity was assigned directly to the classes of service.
13 Opportunity sales represent revenues derived from sales under special contract to be
14 delivered at the option of the Company. The energy component of revenue from these
15 sales was allocated on sales of energy at the generation level, the demand component
16 on the Coincident Peak (CP) allocation factor, and the transmission component on
17 allocated transmission plant. Revenue from forfeited discounts was allocated based on
18 an analysis of uncollectible accounts. The remaining operating revenues were either
19 assigned directly or allocated on the basis of functional plant.

20 (B) Operation and Maintenance Expenses

21 Production plant expenses were assigned to the demand component with the
22 exception of fuel used in electric generation and certain expenses considered by FERC
23 to be energy related, which were allocated on sales of electricity at the generation level.
24 Supervision and engineering expense for steam, hydro, and other production were
25 assigned to the operation and maintenance expense categories based on the
26 respective labor expense within each of these categories. Purchased power was
27 analyzed for separation into capacity and energy components. The energy allocation
28 factor was used to allocate the energy component and the Coincident Peak (CP)
29 demand allocation factor was used to allocate the capacity component.

30 Transmission operation and maintenance expenses were assigned to the
31 transmission function within the various categories of expenses and allocated on the

1 appropriate plant allocation factors. Supervision and engineering expenses were
2 allocated to the operation and maintenance expense categories based on the
3 respective labor expense within each of these categories.

4 Customer accounts and customer service and information expense includes all
5 expenses incurred for servicing each customer's account. The supervision expenses
6 for these accounts were allocated based on the respective labor allocations. Other
7 related expenses were allocated based on customer weighted factors.

8 For sales expenses, the supervision account was allocated based on the labor
9 expense within the sales expense account. The remaining expenses were allocated on
10 the basis of analysis by those departments incurring the expenses.

11 Administrative and general expenses that relate directly to wages such as
12 employee benefits were allocated on the basis of labor expenses. Regulatory expenses
13 were separated into wholesale and retail. The retail and wholesale portions were
14 analyzed and allocated on appropriate plant-in-service allocators. Supervision was
15 allocated based on the labor expenses within the administrative and general expenses.

16 (C) Depreciation Expense

17 Depreciation expenses were separated into the functional categories of steam,
18 hydraulic, and other production, transmission, distribution, general and common. Each
19 functionalized category was allocated on the respective plant accounts excluding land.

20 (D) Taxes Other Than Income Taxes

21 These taxes were comprised of the electric portion of certain federal, state, and
22 local taxes. Federal payroll taxes, including FICA, federal income taxes and
23 unemployment insurance, were allocated on total labor factors.

24 State taxes related to revenues were allocated on total operating revenue.
25 Special utilities license, foreign corporations license in Georgia, and miscellaneous state
26 taxes were allocated on total plant-in-service. Generation tax was specifically assigned
27 to those classes for which sales were subject to the tax. State payroll taxes were
28 allocated on total labor factors. Retail licenses were allocated on total jurisdictional
29 plant-in-service.

30 Local taxes included county and municipal property taxes. Property taxes were
31 allocated on total plant-in-service.

1 (E) State Income Tax Liability

2 Allocated operating income before income taxes was developed from previous
3 revenue and expense allocations. State income tax was calculated at the statutory rate
4 for each class of service.

5 (F) Federal Income Tax Liability

6 Development of the federal income tax liability began with operating income
7 before income taxes. State income tax was allocated directly to each class of service
8 and deducted. Federal income tax was computed at the statutory rate for each class of
9 service.

10 (G) Deferred Income Taxes (Net)

11 The net of the provision and amortization of deferred income taxes was
12 separated into functional categories and allocated appropriately.

13 (H) Investment Tax Credit (Net)

14 Investment tax credit net of the provision and amortization was separated into
15 functional categories and allocated on the appropriate allocated functionalized plant-in-
16 service.

17 (I) Customer Growth

18 Customer growth recognizes the change in the number of customers throughout
19 the test year. The ratio of average to period-end retail customers was developed and
20 applied to the retail operating return. The resulting return amount was directly assigned
21 to each class of customers on a pro-rata basis, calculated on the operating return of that
22 class.

23 (J) Interest on Customer Deposits

24 These deposits were allocated on the basis of a customer weighted factor
25 developed from an analysis of the deposits.

26 **Accounting and Pro Forma Adjustments**

27 The accounting and pro forma adjustments are those set forth in Exhibit D-II,
28 page 3 of 3 in the Company's Application and as presented in Mr. Swan's testimony.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

FULLY DISTRIBUTED COST OF SERVICE STUDY

TEST YEAR: 12 MONTHS ENDED MARCH 31, 2007

South Carolina Electric & Gas Company
Electric Cost of Service Study
12 Months Ending 3/31/07

EXHIBIT NO. ____ (JRH-2)
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Description	TOTAL	RESID	SMALL	MEDIUM	LARGE	ST LTG	RETAIL
TOTAL REVENUES	<u>1,930,616</u>	<u>823,166</u>	<u>337,553</u>	<u>202,626</u>	<u>444,426</u>	<u>43,875</u>	<u>1,851,646</u>
OPERATING EXPENSES							
O&M EXPENSES - FUEL	672,265	233,199	99,070	76,933	217,555	8,145	634,901
- OTHER	465,203	225,604	78,945	42,852	89,491	9,736	446,634
DEPRECIATION & AMORT. EXPENSE	237,614	111,884	42,005	23,631	43,097	7,128	227,744
TAXES OTHER THAN INCOME	127,768	60,075	22,691	13,119	23,246	4,073	123,206
TOTAL INCOME TAXES	<u>132,466</u>	<u>58,479</u>	<u>30,709</u>	<u>14,795</u>	<u>21,892</u>	<u>4,906</u>	<u>130,780</u>
TOTAL OPERATING EXPENSES	1,635,316	689,241	273,420	171,330	395,281	33,988	1,563,265
OPERATING RETURN	295,300	133,925	64,133	31,296	49,145	9,887	288,381
TOTAL CUSTOMER GROWTH	3,174	2,070	475	11	543	75	3,174
INTEREST ON CUSTOMER DEPOSITS	<u>(491)</u>	<u>(392)</u>	<u>(64)</u>	<u>(7)</u>	<u>(12)</u>	<u>(16)</u>	<u>(491)</u>
RETURN	297,983	135,603	64,544	31,300	49,676	9,946	291,064
RATEBASE							
ELECTRIC PLANT IN SERVICE	6,658,765	3,159,957	1,190,855	678,897	1,160,960	217,839	6,408,510
RESERVE FOR DEPRECIATION	<u>(2,273,359)</u>	<u>(1,079,111)</u>	<u>(405,788)</u>	<u>(230,760)</u>	<u>(396,986)</u>	<u>(74,921)</u>	<u>(2,187,569)</u>
NET PLANT	4,385,406	2,080,846	785,067	448,137	763,974	142,918	4,220,941
TOTAL CONST. WORK IN PROGRESS	192,803	89,690	34,031	19,496	36,511	5,034	184,759
TOTAL DEFERRED DEBITS/CREDITS	(109,949)	(53,816)	(19,017)	(9,879)	(18,957)	(5,171)	(106,838)
TOTAL WORKING CAPITAL	29,693	(948)	2,095	5,107	20,188	(942)	25,503
TOTAL MATERIALS & SUPPLIES	234,438	96,420	38,450	25,409	58,686	3,885	222,852
ACCUM. DEFERRED INCOME TAXES	<u>(599,317)</u>	<u>(285,305)</u>	<u>(107,244)</u>	<u>(60,931)</u>	<u>(103,320)</u>	<u>(20,466)</u>	<u>(577,267)</u>
TOTAL RATEBASE	4,133,074	1,926,887	733,382	427,339	757,082	125,258	3,969,950
RATE OF RETURN	7.21%	7.04%	8.80%	7.32%	6.56%	7.94%	7.33%

South Carolina Electric & Gas Company
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Description	ALLOCATOR	TOTAL	RESID	SMALL	MEDIUM	LARGE	ST LTG	RETAIL
1 ELECTRIC PLANT IN SERVICE								
2 PRODUCTION PLANT								
3 Steam	D10	1,549,408	682,428	273,175	167,873	339,688	0	1,463,164
4 Hydraulic	D10	284,542	125,325	50,167	30,829	62,382	0	268,704
5 Nuclear	D10	960,820	423,187	169,401	104,102	210,648	0	907,338
6 Other	D10	762,406	335,797	134,419	82,604	167,148	0	719,969
7 TOTAL PRODUCTION PLANT		3,557,176	1,566,737	627,162	385,408	779,866	0	3,359,175
8 TRANSMISSION PLANT								
9 350 - LAND & LAND RIGHTS								
10 Bulk Power Transmission	DM3	30,601	13,394	5,362	3,295	6,667	0	28,717
11 Sub-Transmission	DM3	2,432	1,064	426	262	530	0	2,282
12 Distribution Substations	D30	343	179	75	42	42	6	343
13 Direct Assignment	P350DA	2,800	0	82	5	2,656	0	2,743
14 TOTAL ACCOUNT 350		36,176	14,637	5,945	3,604	9,895	6	34,085
15 352-353 SUBSTATIONS								
16 Bulk Power Transmission	DM3	170,670	74,702	29,903	18,376	37,184	0	160,165
17 Sub-Transmission	DM3	53,742	23,523	9,416	5,786	11,709	0	50,434
18 Distribution Substations	D30	35,335	18,396	7,758	4,287	4,312	583	35,335
19 TOTAL ACCOUNTS 352-353		259,747	116,621	47,077	28,449	53,205	583	245,934
20 354-356 OVERHEAD LINES								
21 Bulk Power Transmission	DM3	269,901	118,135	47,289	29,060	58,803	0	253,288
22 Sub-Transmission	DM3	43,863	19,199	7,685	4,723	9,556	0	41,163
23 Direct Assignment	P354DA	20,915	0	683	135	19,803	0	20,621
24 Distribution Substations	DM3	436	191	76	47	95	0	409
25 TOTAL ACCOUNTS 354-356		335,115	137,525	55,733	33,965	88,257	0	315,481
26 357-358 UNDERGROUND LINES								
27 Bulk Power Transmission	DM3	20,117	8,805	3,525	2,166	4,383	0	18,879
28 Sub-Transmission	DM3	1,636	716	287	176	356	0	1,535
29 TOTAL ACCOUNTS 357-358		21,753	9,521	3,812	2,342	4,739	0	20,414
30 359 - ROADS AND TRAILS								
31 Bulk Power Transmission	DM3	5	2	1	1	1	0	5
32 Sub-Transmission	DM3	4	2	1	0	1	0	4
33 TOTAL ACCOUNT 359		9	4	2	1	2	0	9
34 TOTAL TRANSMISSION PLANT		652,800	278,308	112,569	68,361	156,098	589	615,923

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Description	ALLOCATOR	TOTAL	RESID	SMALL	MEDIUM	LARGE	ST LTG	RETAIL
1 DISTRIBUTION PLANT								
2 360 - LAND & LAND RIGHTS								
3 SUBSTATIONS								
4 Bulk	D30	9,652	5,025	2,119	1,171	1,178	159	9,652
5 Direct Assignment	P360DA	27	0	0	0	27	0	27
6 Sub-Total Substations		9,679	5,025	2,119	1,171	1,205	159	9,679
7 OVERHEAD LINES								
8 Primary - Customer Comp	D30	28,295	14,731	6,212	3,433	3,453	467	28,295
9 TOTAL ACCOUNT 360		37,974	19,756	8,331	4,604	4,658	626	37,974
10 361-363 SUBSTATIONS								
11 Bulk	D30	205,110	106,783	45,032	24,884	25,029	3,382	205,110
12 Direct Assignment	P361DA	45,215	0	2,682	528	42,005	0	45,215
13 TOTAL ACCOUNTS 361-363		250,325	106,783	47,714	25,412	67,034	3,382	250,325
14 364-365 OVERHEAD LINES								
15 PRIMARY FUNCTION								
16 Capacity Component	D30	355,744	185,205	78,104	43,159	43,410	5,866	355,744
17 SECONDARY FUNCTION								
18 Customer Component	C35	237,657	178,414	36,944	19,870	0	2,429	237,657
19 TOTAL ACCOUNTS 364-365		593,401	363,619	115,048	63,029	43,410	8,295	593,401
20 366-367 UNDERGROUND LINES								
21 Primary Function	D30	209,073	108,846	45,902	25,365	25,512	3,448	209,073
22 Secondary Function	C35	142,605	107,057	22,168	11,923	0	1,458	142,605
23 TOTAL ACCOUNTS 366-367		351,678	215,903	68,070	37,288	25,512	4,906	351,678
24 368 - TRANSFORMERS								
25 Bulk Power Transmission	D10	5,861	2,581	1,033	635	1,285	0	5,535
26 Primary Function	D30	16,758	8,724	3,679	2,033	2,045	276	16,758
27 SECONDARY FUNCTION								
28 Capacity Component	D35	216,621	128,657	54,141	29,748	0	4,075	216,621
29 Customer Component	C35	87,122	65,404	13,543	7,284	0	890	87,122
30 TOTAL ACCOUNT 368		326,362	205,366	72,396	39,700	3,330	5,241	326,036
31 369 - SERVICES								
32 Customer Component	C36	200,717	152,239	31,524	16,954	0	0	200,717
33 TOTAL ACCOUNT 369		200,717	152,239	31,524	16,954	0	0	200,717
34 370 - METERS	P370	108,253	59,853	40,595	3,345	4,406	0	108,199
35 373 - STREET LIGHTING	P373	179,909	0	0	0	0	179,909	179,909
36 TOTAL DISTRIBUTION PLANT		2,048,619	1,123,519	383,678	190,332	148,350	202,359	2,048,239

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Description	ALLOCATOR	TOTAL	RESID	SMALL	MEDIUM	LARGE	ST LTG	RETAIL
1 GENERAL PLANT								
2 389 - LAND & LAND RIGHTS	LABOR	3,605	1,724	608	313	690	134	3,470
3 390-398 OTHER GENERAL PLANT	LABOR	122,478	58,579	20,643	10,650	23,459	4,558	117,888
4 TOTAL GENERAL PLANT		126,083	60,303	21,251	10,963	24,149	4,692	121,358
5 INTANGIBLE PLANT	LABOR	64,935	31,057	10,944	5,646	12,437	2,416	62,501
6 COMMON PLANT								
7 489 - LAND & LAND RIGHTS	LABOR	9,476	4,532	1,597	824	1,815	353	9,121
8 490-498 OTHER COMMON PLANT	LABOR	199,676	95,501	33,654	17,363	38,245	7,430	192,193
9 TOTAL COMMON PLANT		209,152	100,033	35,251	18,187	40,060	7,783	201,314
10 TOTAL ELECTRIC PLANT IN SERVICE		6,658,765	3,159,957	1,190,855	678,897	1,160,960	217,839	6,408,510
11 ACCUM. RESERVES FOR DEPRECIATION								
12 PRODUCTION	P10	(1,205,012)	(530,740)	(212,455)	(130,559)	(264,184)	0	(1,137,938)
13 TRANSMISSION	P20L	(204,079)	(87,265)	(35,288)	(21,432)	(48,388)	(193)	(192,566)
14 DISTRIBUTION	P30L	(675,463)	(370,805)	(126,224)	(62,352)	(48,251)	(67,703)	(675,335)
15 GENERAL	P40L	(102,022)	(48,795)	(17,195)	(8,871)	(19,541)	(3,796)	(98,199)
16 COMMON (ELECTRIC PORTION)	PCL	(86,783)	(41,506)	(14,626)	(7,546)	(16,622)	(3,229)	(83,531)
17 TOTAL ACCUM. RESERVES FOR DEPREC.		(2,273,359)	(1,079,111)	(405,788)	(230,760)	(396,986)	(74,921)	(2,187,569)
18 NET ELECTRIC PLANT IN SERVICE		4,385,406	2,080,846	785,067	448,137	763,974	142,918	4,220,941
19 CONSTRUCTION WORK IN PROGRESS								
20 PRODUCTION	P10	81,115	35,727	14,301	8,789	17,783	0	76,600
21 TRANSMISSION	P20	42,847	18,267	7,389	4,487	10,246	39	40,426
22 DISTRIBUTION	P30	39,466	21,646	7,390	3,665	2,856	3,902	39,459
23 GENERAL	P40	4,355	2,083	734	379	834	162	4,192
24 COMMON (ELECTRIC PORTION)	PC	25,020	11,967	4,217	2,176	4,792	931	24,082
25 TOTAL CONSTR. WORK IN PROGRESS		192,803	89,690	34,031	19,496	36,511	5,034	184,759

South Carolina Electric & Gas Company
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Description	ALLOCATOR	TOTAL	RESID	SMALL	MEDIUM	LARGE	ST LTG	RETAIL
1 MATERIALS AND SUPPLIES								
2 NUCLEAR FUEL INVENTORY	E10	39,067	13,511	5,745	4,473	12,688	479	36,896
3 FOSSIL FUEL INVENTORY	E10	64,329	22,248	9,459	7,366	20,893	788	60,754
4 EMISSION ALLOWANCES	P10	50,029	22,035	8,821	5,420	10,968	0	47,244
5 PLANT MATERIALS AND SUPPLIES								
6 Plant Materials	D10	35,712	15,729	6,296	3,869	7,829	0	33,724
7 Substation Materials	P11	2,234	978	415	236	527	17	2,174
8 Wire and Cable	P12	5,444	2,938	1,001	569	772	49	5,329
9 Poles and Hardware	P12	5,806	3,134	1,068	607	823	52	5,683
10 Underground Material	P13	3,100	1,871	597	329	251	41	3,089
11 Street Lighting Material	P373	1,611	0	0	0	0	1,611	1,611
12 Meters	P370	678	375	254	21	28	0	678
13 Transformers	P368	6,357	4,000	1,410	773	65	102	6,351
14 Reels, Drums, and Containers	P12	36	19	7	4	5	0	35
15 TOTAL PLANT MATERIALS AND SUPPLIES		60,978	29,044	11,048	6,408	10,300	1,872	58,674
16 COMMON MATERIALS AND SUPPLIES	PC	20,035	9,582	3,377	1,742	3,837	746	19,284
17 TOTAL M&S EXCLUDING FUEL		81,013	38,626	14,425	8,150	14,137	2,618	77,958
18 WORKING CASH		117,367	48,218	18,433	12,167	30,935	2,002	111,756
19 PREPAYMENTS								
20 Plant Prepayments	POO	6,997	3,322	1,251	713	1,218	230	6,735
21 Other Taxes Prepayments	TIPOO	7,209	3,388	1,280	741	1,314	229	6,952
22 Municipal Licenses	RSLMUN	(3,724)	(1,894)	(858)	(602)	(294)	(77)	(3,724)
23 TOTAL PREPAYMENTS		10,482	4,816	1,673	852	2,238	382	9,963
24 TOTAL ADDITIONS TO NET PLANT		555,090	239,144	92,587	57,924	128,370	11,303	529,330
25 ACCUM. DEFERRED INCOME TAXES								
26 Production Related	P10	(307,767)	(135,554)	(54,262)	(33,346)	(67,474)	0	(290,636)
27 Transmission & Distribution Related	TD	(253,640)	(131,619)	(46,593)	(24,289)	(28,585)	(19,055)	(250,142)
28 General & Common Related	GC	(37,910)	(18,132)	(6,389)	(3,296)	(7,261)	(1,411)	(36,489)
29 TOTAL ACCUM. DEF. INCOME TAXES		(599,317)	(285,305)	(107,244)	(60,931)	(103,320)	(20,466)	(577,267)
30 AVERAGE TAX ACCRUALS	AVGTAX	(66,559)	(30,431)	(13,645)	(7,012)	(11,445)	(2,283)	(64,816)
31 CUSTOMER DEPOSITS	PCD	(26,342)	(21,056)	(3,426)	(364)	(625)	(870)	(26,342)
32 INJURIES AND DAMAGES	POO	(5,255)	(2,495)	(940)	(536)	(915)	(173)	(5,058)
33 OPEBS	LABOR	(80,809)	(38,637)	(13,622)	(7,034)	(15,448)	(3,010)	(77,750)
34 STORM RESERVE	TD	(28,162)	(14,818)	(5,246)	(2,735)	(3,218)	(2,145)	(28,162)
35 MAJOR MAINTENANCE ACCRUAL	ADJKWH	(804)	(278)	(118)	(92)	(261)	(10)	(759)
36 DEF. CREDIT / ENVIRONMENTAL	PTD	(174)	(83)	(31)	(18)	(30)	(6)	(167)
37 TOTAL DEDUCTIONS FROM NET PLANT		(807,422)	(393,103)	(144,272)	(78,722)	(135,262)	(28,963)	(780,321)
38 TOTAL RATEBASE		4,133,074	1,926,887	733,382	427,339	757,082	125,258	3,969,950

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	Description	ALLOCATOR	TOTAL	RESID	SMALL	MEDIUM	LARGE	ST LTG	RETAIL
1	OPERATING REVENUES								
2	SALES OF ELECTRICITY	RSL	1,761,786	755,318	310,726	184,980	398,448	41,507	1,690,980
3	OTHER OPERATING REVENUES								
4	OPPORTUNITY SALES								
5	Demand Component	D10	41,820	18,419	7,373	4,531	9,169	0	39,492
6	Energy Component	E10	85,201	29,474	12,532	9,759	27,679	1,044	80,488
7	Transmission Component	P20	10,013	4,269	1,727	1,049	2,394	9	9,447
8	TOTAL OPPORTUNITY SALES		137,034	52,162	21,632	15,339	39,242	1,053	129,427
9	450 - FORFEITED DISCOUNTS	E904	2,900	2,761	82	49	8	0	2,900
10	451 - MISCELLANEOUS	R451DA	3,243	2,298	945	0	0	0	3,243
11	454 - RENT								
12	Distribution Function	P30	5,534	3,035	1,036	514	400	547	5,533
13	Direct Assignment	R454DA	4,316	0	312	183	3,778	42	4,314
14	TOTAL ACCOUNT 454		9,850	3,035	1,348	697	4,178	589	9,847
15	Other Electric Revenues	TD	9,579	4,971	1,760	917	1,080	720	9,447
16	Other Electric Revenues - Trans.	P20	6,149	2,621	1,060	644	1,470	6	5,802
17	Wheeling Revenue - Wholesale	REV_456WH	75	0	0	0	0	0	0
18	456 - OTHER ELECTRIC REVENUES		15,803	7,592	2,820	1,561	2,550	726	15,249
19	TOTAL OTHER REVENUE		168,830	67,848	26,827	17,646	45,978	2,368	160,666
20	TOTAL OPERATING REVENUES		1,930,616	823,166	337,553	202,626	444,426	43,875	1,851,646

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Account	Description	ALLOCATOR	TOTAL	RESID	SMALL	MEDIUM	LARGE	ST LTG	RETAIL	
1	OPERATION AND MAINTENANCE EXPENSE									
2	PRODUCTION EXPENSES									
3	OPERATION									
4	500	Supervision and Engineering	Z500	2,611	1,092	442	287	638	8	2,466
5	501	Fuel	E10	312,207	107,974	45,908	35,750	101,398	3,825	294,855
6	502	Steam Expenses	P10	28,426	12,520	5,012	3,080	6,232	0	26,844
7	504	Steam Transferred - Cr.	P10	(16)	(7)	(3)	(2)	(4)	0	(15)
8	505	Electric Expenses	P10	6,998	3,082	1,234	758	1,534	0	6,608
9	506	Misc. Steam Expenses	P10	5,439	2,396	959	589	1,192	0	5,136
10	509	Emission Allowance Expenses	P10	7,416	3,266	1,308	803	1,626	0	7,003
11		TOTAL STEAM OPERATION		363,081	130,323	54,860	41,265	112,616	3,833	342,897
12	MAINTENANCE									
13	510	Supervision and Engineering	E10	581	201	85	67	189	7	549
14	511	Structures	P10	552	243	97	60	121	0	521
15	512	Boiler Plant	E10	19,684	6,808	2,894	2,254	6,393	241	18,590
16	513	Electric Plant	E10	1,901	657	280	218	617	23	1,795
17	514	Misc. Steam Expenses	P10	3,845	1,694	678	417	843	0	3,631
18		TOTAL STEAM MAINTENANCE		26,563	9,603	4,034	3,016	8,163	271	25,086
19	NUCLEAR POWER GENERATION									
20	OPERATION									
21	517	Supervision and Engineering	Z517	9,571	4,215	1,687	1,037	2,098	0	9,038
22	518	Fuel	E10	21,745	7,520	3,197	2,490	7,062	266	20,536
23	519	Coolants and Water	P10	1,862	820	328	202	408	0	1,758
24	520	Steam Expenses	P10	6,475	2,852	1,142	702	1,420	0	6,115
25	523	Electric Expenses	P10	1,267	558	223	137	278	0	1,196
26	524	Misc. Nuclear Expenses	P10	24,856	10,948	4,382	2,693	5,449	0	23,472
27		TOTAL STEAM OPERATION		65,776	26,913	10,959	7,261	16,715	266	62,115
28	MAINTENANCE									
29	528	Supervision and Engineering	E10	685	237	101	78	222	8	647
30	529	Structures	P10	3,853	1,697	679	417	845	0	3,639
31	530	Reactor Plant Equipment	E10	3,682	1,273	541	422	1,196	45	3,477
32	531	Electric Plant	E10	3,251	1,124	478	372	1,056	40	3,070
33	532	Misc. Nuclear Plant	P10	15,245	6,715	2,688	1,652	3,342	0	14,396
34		TOTAL STEAM MAINTENANCE		26,716	11,046	4,487	2,941	6,661	93	25,229

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Account	Description	ALLOCATOR	TOTAL	RESID	SMALL	MEDIUM	LARGE	ST LTG	RETAIL
1	HYDRAULIC POWER GENERATION								
2	OPERATION								
3	535 Supervision and Engineering	Z535	881	388	155	95	193	0	832
4	536 Water for Power	P10	77	34	14	8	17	0	73
5	537 Hydraulic Expenses	P10	1,165	513	205	126	255	0	1,100
6	538 Electric Expenses	P10	663	292	117	72	145	0	626
7	539 Misc. Hydraulic Power Expenses	P10	938	413	165	102	206	0	886
8	TOTAL HYDRO OPERATION		3,724	1,640	656	403	816	0	3,517
9	MAINTENANCE								
10	541 Supervision and Engineering	Z541	37	13	6	4	11	0	35
11	542 Structures	P10	25	11	4	3	5	0	24
12	543 Dams and Waterways	P10	624	275	110	68	137	0	589
13	544 Electric Plant	E10	2,064	714	304	236	670	25	1,949
14	545 Misc. Hydraulic Plant Maintenance	P10	170	75	30	18	37	0	161
15	TOTAL HYDRO MAINTENANCE		2,920	1,088	454	329	860	25	2,758
16	OTHER POWER GENERATION								
17	OPERATION								
18	546 Supervision and Engineering	Z546	1,012	446	178	110	222	0	956
19	547 Fuel	E10	214,172	74,070	31,493	24,524	69,559	2,624	202,269
20	548 Generation Expenses	P10	9,939	4,378	1,752	1,077	2,179	0	9,386
21	549 Misc. Other Power Generation Expenses	P10	1,454	640	256	158	319	0	1,373
22	550 Rents	P10	2	1	0	0	0	0	2
23	OTHER OPERATION		226,579	79,535	33,679	25,869	72,279	2,624	213,986
24	MAINTENANCE								
25	551 Supervision and Engineering	Z551	921	406	162	100	202	0	870
26	552 Structures	P10	407	179	72	44	89	0	384
27	553 Generating and Electric Equipment	P10	3,649	1,607	643	395	800	0	3,446
28	554 Misc. Other	P10	403	177	71	44	88	0	381
29	OTHER MAINTENANCE		5,380	2,369	948	583	1,179	0	5,081
30	OTHER POWER SUPPLY EXPENSE								
31	555D Purchased Power - Demand	D10	46,507	20,484	8,200	5,039	10,196	0	43,918
32	555E Purchased Power - Energy	E10	13,551	4,686	1,993	1,552	4,401	166	12,798
33	555F Purchased Power - Fuel	E10	20,734	7,171	3,049	2,374	6,734	254	19,582
34	555G Purchased Power - GENCO Fuel	E10	95,991	33,198	14,115	10,992	31,176	1,176	90,656
35	556 System Control and Load Dispatching	D10	1,173	517	207	127	257	0	1,108
36	557 Other Expenses	D10	471	207	83	51	103	0	445
37	TOTAL OTHER PWR SUPPLY		178,427	66,263	27,647	20,135	52,867	1,596	168,507
38	TOTAL PRODUCTION EXPENSE		899,166	328,780	137,724	101,802	272,156	8,708	849,176

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Account	Description	ALLOCATOR	TOTAL	RESID	SMALL	MEDIUM	LARGE	ST LTG	RETAIL
1	TRANSMISSION EXPENSE								
2	OPERATION								
3	560 Supervision and Engineering	Z560	399	175	70	43	88	0	377
4	561 Load Dispatching	D10	2,096	923	370	227	460	0	1,979
5	562 Station Expenses	P3523	419	188	76	46	86	1	397
6	563 Overhead Lines Expenses	P3546	177	73	29	18	47	0	167
7	565 Transmission of Electricity by Others	D10	304	134	54	33	67	0	287
8	566 Misc. Transmission Expenses	P20	4,830	2,059	833	506	1,155	4	4,557
9	567 Rents	P20	260	111	45	27	62	0	245
10	TOTAL OPERATION		8,485	3,663	1,477	900	1,965	5	8,009
11	MAINTENANCE								
12	568 Supervision and Engineering	Z568	13	6	2	1	3	0	12
13	569 Structures	P3523	241	108	44	26	49	1	228
14	570 Station Equipment	P3523	2,236	1,004	405	245	458	5	2,117
15	571 Overhead Lines	P3546	5,336	2,190	887	541	1,405	0	5,023
16	572 Underground Lines	P3578	20	9	4	2	4	0	19
17	573 Maintenance of Misc. Transmission Plant	P20	159	68	27	17	38	0	150
18	TOTAL MAINTENANCE		8,005	3,385	1,369	832	1,957	6	7,549
19	TOTAL TRANSMISSION		16,490	7,048	2,846	1,732	3,922	11	15,558

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Account	Description	ALLOCATOR	TOTAL	RESID	SMALL	MEDIUM	LARGE	ST LTG	RETAIL
1	DISTRIBUTION EXPENSE								
2	OPERATION								
3	580 Supervision and Engineering	Z580	555	278	122	43	45	68	555
4	581 Load Dispatching	D30	632	329	139	77	77	10	632
5	582 Station Expenses	P3613	479	204	91	49	128	6	479
6	583 Overhead Line Expenses	P3645	1,598	979	310	170	117	22	1,598
7	584 Underground Line Expenses	P3667	409	251	79	43	30	6	409
8	585 Street Lighting Expenses	P373	426	0	0	0	0	426	426
9	586 Meter Expenses	P370	1,142	631	428	35	46	0	1,141
10	587 Customer Installations Expenses	P371	(21)	(21)	0	0	0	0	(21)
11	588 Misc. Distribution Expense	P30	6,814	3,737	1,276	633	493	674	6,813
12	589 Rents	P30	2,364	1,297	443	220	171	234	2,364
13	TOTAL OPERATION		14,398	7,685	2,888	1,270	1,107	1,446	14,396
14	MAINTENANCE								
15	590 Supervision and Engineering	Z590	193	96	34	17	20	26	193
16	591 Structures	P3613	6	3	1	1	2	0	6
17	592 Station Equipment	P3613	2,042	871	389	207	547	28	2,042
18	593 Overhead Lines	P3645	22,099	13,542	4,285	2,347	1,617	309	22,099
19	594 Underground Lines	P3667	1,781	1,093	345	189	129	25	1,781
20	595 Line Transformers	P368	429	270	95	52	4	7	429
21	596 Street Lighting	P373	1,864	0	0	0	0	1,864	1,864
22	597 Meters	P370	218	121	82	7	9	0	218
23	598 Mntce. Of Misc. Distribution Plant	P30	1,702	933	319	158	123	168	1,702
24	TOTAL DISTRIBUTION MAINTENANCE		30,334	16,929	5,550	2,978	2,451	2,427	30,334
25	TOTAL DISTRIBUTION		44,732	24,614	8,438	4,248	3,558	3,873	44,730

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Account	Description	ALLOCATOR	TOTAL	RESID	SMALL	MEDIUM	LARGE	ST LTG	RETAIL
1	CUSTOMER ACCOUNTS EXPENSE								
2	901 Supervision	Z901	1,771	1,324	237	9	5	195	1,770
3	902 Meter Reading Expenses	CUST1	5,267	3,836	1,274	69	85	0	5,264
4	903 Customer Records and Collection Expenses	C10	31,980	27,124	4,477	142	18	218	31,980
5	904 Uncollectible Accounts	E904DA	3,042	2,897	86	51	9	0	3,042
6	904.1 Uncollectible Accounts - Transmission Customer	TD	5,217	2,224	900	546	1,247	5	4,922
7	905 Miscellaneous	CUSXX	1,733	1,375	257	31	53	5	1,721
8	TOTAL CUSTOMER ACCOUNTS		49,010	38,780	7,231	848	1,417	423	48,699
9	CUSTOMER SERVICE & INFORMATIONAL EXPENSE								
10	907 Supervision	Z907	860	202	190	0	468	0	860
11	908 Customer Assistance	E908DA	2,926	686	647	0	1,593	0	2,926
12	910 Miscellaneous	CUSYY	57	13	13	0	31	0	57
13	TOTAL CUSTOMER SERV. & INFO. EXPENSE		3,843	901	850	0	2,092	0	3,843
14	SALES EXPENSE								
15	911 Supervision	Z911	9	2	1	2	2	1	9
16	912 Demonstration and Selling Expenses	E912DA	2,517	629	396	487	609	367	2,488
17	913 Advertising Expenses	E913DA	3	2	0	0	1	0	3
18	916 Miscellaneous	CUSZZ	258	65	41	50	62	38	255
19	TOTAL SALES EXPENSE		2,787	698	438	539	674	406	2,755

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Accounts	Description	ALLOCATOR	TOTAL	RESID	SMALL	MEDIUM	LARGE	ST LTG	RETAIL	
1	ADMINISTRATIVE & GENERAL EXPENSE									
2	920	Salaries	LABOR	31,433	15,034	5,298	2,733	6,021	1,170	30,255
3	921	Office Supplies and Expenses	LABOR	27,914	13,351	4,705	2,427	5,347	1,039	26,868
4	923	Outside Services Employed	LABOR	13,999	6,695	2,359	1,217	2,681	521	13,474
5	924	Property Insurance	LABOR	4,542	2,172	766	395	870	169	4,372
6	925	Injuries and Damages	LABOR	5,709	2,730	962	496	1,093	212	5,495
7	926	Employee Pensions and Benefits	LABOR	27,751	13,273	4,677	2,413	5,315	1,033	26,711
8	928	928-REG COMMISSION EXP								
9	928S	State Regulatory Commission Exp.	XPOO	2,515	1,240	468	267	454	86	2,515
10	928F	Federal Regulatory Commission Exp.	YPOO	194	0	0	0	0	0	0
11	928O	Other Regulatory Commission Exp.	D10	1,182	521	208	128	259	0	1,116
12		Total Regulatory Commission Expenses		3,891	1,761	676	395	713	86	3,631
13	929	Duplicate Charges - Cr.	LABOR	(6,657)	(3,184)	(1,122)	(579)	(1,275)	(248)	(6,408)
14	930	Miscellaneous	LABOR	5,436	2,600	916	473	1,041	202	5,232
15	931	Rents	LABOR	5,332	2,550	899	464	1,021	198	5,132
16	935	Maintenance of General Plant	LABOR	2,090	1,000	352	182	400	78	2,012
17		TOTAL ADMINISTRATIVE & GENERAL EXPENSES		121,440	57,982	20,488	10,616	23,227	4,460	116,774
18		TOTAL OPERATION & MAINT. EXPENSE		1,137,468	458,803	178,015	119,785	307,046	17,881	1,081,535

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Description	ALLOCATOR	TOTAL	RESID	SMALL	MEDIUM	LARGE	ST LTG	RETAIL
1 DEPR. AND AMORT. EXPENSE								
2 DEPP PRODUCTION	P10	117,589	51,570	20,643	12,686	25,670	0	110,568
3 DEPT TRANSMISSION	P20L	14,909	6,375	2,578	1,566	3,535	14	14,068
4 DEPD DISTRIBUTION	P30L	51,813	28,446	9,801	4,744	3,682	5,130	51,803
5 DEPG GENERAL	P40L	30,096	14,394	5,072	2,617	5,765	1,120	28,968
6 DEPC COMMON	PCL	23,207	11,099	3,911	2,018	4,445	864	22,337
7 TOTAL DEPR. & AMORT. EXPENSE		237,614	111,884	42,005	23,631	43,097	7,128	227,744
8 TAXES OTHER THAN INCOME								
9 FEDERAL								
10 Federal Payroll Taxes	LABOR	9,320	4,456	1,571	811	1,782	347	8,967
11 TOTAL FEDERAL		<u>9,320</u>	<u>4,456</u>	<u>1,571</u>	<u>811</u>	<u>1,782</u>	<u>347</u>	<u>8,967</u>
12 STATE								
13 Special Utilities License	POO	3,466	1,645	620	353	604	114	3,336
14 Gross Earnings Tax	RSL	5,051	2,165	891	530	1,142	119	4,848
15 Generation Tax	TIP26	6,793	2,847	1,166	917	1,754	100	6,785
16 State Payroll Tax	LABOR	177	85	30	15	34	7	170
17 TOTAL STATE		<u>15,487</u>	<u>6,742</u>	<u>2,707</u>	<u>1,815</u>	<u>3,534</u>	<u>340</u>	<u>15,139</u>
18 LOCAL								
19 County Property Taxes	POO	98,203	46,618	17,562	10,008	17,101	3,230	94,520
20 Municipal Property Taxes	POO	4,758	2,259	851	485	829	156	4,580
21 TOTAL LOCAL		<u>102,961</u>	<u>48,877</u>	<u>18,413</u>	<u>10,493</u>	<u>17,930</u>	<u>3,386</u>	<u>99,100</u>
22 TOTAL TAXES OTHER THAN INCOME TAXES		127,768	60,075	22,691	13,119	23,246	4,073	123,206

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Description	ALLOCATOR	TOTAL	RESID	SMALL	MEDIUM	LARGE	ST LTG	RETAIL
1 DEVELOPMENT OF STATE INCOME TAX								
2 OPERATING INCOME BEFORE TAXES		427,766	192,404	94,842	46,091	71,037	14,793	419,161
3 ALLOWABLE DEDUCTIONS								
4 Capitalized and Use Tax	POO	(3,610)	(1,714)	(646)	(368)	(629)	(119)	(3,475)
5 Interest	RB	113,978	53,119	20,274	11,789	20,861	3,461	109,503
6 Depreciation (Over Book)	DEPREJ	(754)	(354)	(133)	(76)	(138)	(22)	(724)
7 Nuclear Fuel Expense	E10	(10,916)	(3,775)	(1,605)	(1,250)	(3,545)	(134)	(10,309)
8 Removal Cost and Property Tax	POO	1,835	808	324	199	402	0	1,733
9 Employee Benefits	LABOR	6,261	2,994	1,055	545	1,197	233	6,024
10 Non-Taxable State Revenue	POO	16,552	7,855	2,960	1,688	2,886	541	15,930
11 Unbilled Revenue	ENE1	3,939	1,428	607	473	1,381	51	3,939
12 TOTAL ALLOWABLE DEDUCTIONS		127,285	60,361	22,836	13,000	22,415	4,011	122,621
13 STATE TAXABLE INCOME		300,481	132,043	72,006	33,091	48,622	10,782	296,540
14 STATE INCOME TAX @ 5%		15,024	6,602	3,600	1,655	2,431	539	14,827
15 STATE INVESTMENT TAX CREDIT								
16 PRODUCTION	P10	(2,306)	(1,016)	(407)	(250)	(506)	0	(2,178)
17 TRANSMISSION AND DISTRIBUTION	TD	(2,043)	(1,060)	(375)	(196)	(230)	(153)	(2,015)
18 GENERAL AND COMMON	GC	(157)	(75)	(26)	(14)	(30)	(6)	(151)
19 STATE INVESTMENT TAX CREDIT		(4,506)	(2,151)	(808)	(460)	(766)	(159)	(4,344)
20 TOTAL ACCRUED FOR CURRENT YEAR		10,518	4,451	2,792	1,195	1,665	380	10,483
21 ADJUSTMENTS TO TAX								
22 State Tax Prior Year Adjustments	SIT	(3,762)	(1,653)	(901)	(414)	(609)	(135)	(3,713)
23 TOTAL STATE INCOME TAX		6,756	2,798	1,891	781	1,056	245	6,770

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Description	ALLOCATOR	TOTAL	RESID	SMALL	MEDIUM	LARGE	ST LTG	RETAIL
1 DEVELOPMENT OF FEDERAL INCOME TAX								
2 OPERATING INCOME BEFORE TAXES		427,766	192,404	94,842	46,091	71,037	14,793	419,161
3 ALLOWABLE DEDUCTIONS								
4 Capitalized and Use Tax	POO	(1,009)	(479)	(180)	(103)	(176)	(33)	(971)
5 Interest	RB	113,978	53,119	20,274	11,789	20,861	3,461	109,503
6 Depreciation (Over Book)	DEPREJ	(27,023)	(12,702)	(4,779)	(2,720)	(4,958)	(773)	(25,932)
7 Nuclear Fuel Expense	E10	(10,916)	(3,775)	(1,605)	(1,250)	(3,545)	(134)	(10,309)
8 Removal Cost and Property Tax	POO	1,835	808	324	199	402	0	1,733
9 Employee Benefits	LABOR	6,261	2,994	1,055	545	1,197	233	6,024
10 Unbilled Revenue	ENE1	3,940	1,428	607	473	1,381	51	3,940
11 State Income Tax		10,518	4,451	2,792	1,195	1,665	380	10,483
12 TOTAL ALLOWABLE DEDUCTIONS		97,584	45,844	18,488	10,128	16,827	3,185	94,471
13 FEDERAL TAXABLE INCOME		330,182	146,560	76,354	35,963	54,210	11,608	324,690
14 FEDERAL INCOME TAX @ 35%		115,564	51,296	26,724	12,587	18,973	4,063	113,641
15 ADJUSTMENTS TO TAX								
16 Federal Tax Prior Year Adjustments	FIT	3,247	1,440	753	354	533	114	3,194
17 TOTAL FEDERAL INCOME TAX		118,811	52,736	27,477	12,941	19,506	4,177	116,835

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Electric Cost of Service Study
12 Months Ending 3/31/07

EXHIBIT NO.____(JRH-2)
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Description	ALLOCATOR	TOTAL	RESID	SMALL	MEDIUM	LARGE	ST LTG	RETAIL
1 DEFERRED INCOME TAXES								
2 PRODUCTION	P10	12,272	5,405	2,164	1,330	2,690	0	11,589
3 TRANSMISSION AND DISTRIBUTION	TD	10,770	5,589	1,978	1,031	1,214	809	10,621
4 GENERAL AND COMMON	GC	(14,685)	(7,024)	(2,475)	(1,277)	(2,813)	(546)	(14,135)
5 LONG TERM DEBT	RB	(941)	(439)	(167)	(97)	(172)	(29)	(904)
6 OVER/UNDER RECOVERY	ENE1	419	152	65	50	147	5	419
7 LABOR AND BENEFITS	LABOR	(5,831)	(2,788)	(983)	(508)	(1,115)	(217)	(5,610)
8 REVENUE	RSL	(41)	(18)	(7)	(4)	(9)	(1)	(39)
9 REVENUE ACCRUAL	ENE1	6,462	2,342	996	776	2,265	83	6,462
10 TOTAL DEFERRED INCOME TAX (NET)		8,425	3,219	1,571	1,301	2,207	104	8,403
11 INVESTMENT TAX CREDIT								
12 PRODUCTION	P10	(6,533)	(2,877)	(1,152)	(708)	(1,432)	0	(6,169)
13 TRANSMISSION AND DISTRIBUTION	TD	5,128	2,661	942	491	578	385	5,057
14 GENERAL AND COMMON	GC	(121)	(58)	(20)	(11)	(23)	(5)	(116)
15 INVESTMENT TAX CREDIT (NET)		(1,526)	(274)	(230)	(228)	(877)	380	(1,228)
16 TOTAL INCOME TAXES		132,466	58,479	30,709	14,795	21,892	4,906	130,780
17 CUSTOMER GROWTH		3,174	2,070	475	11	543	75	3,174
18 INTEREST ON CUSTOMER DEPOSITS		(491)	(392)	(64)	(7)	(12)	(16)	(491)
19 RETURN		297,983	135,603	64,544	31,300	49,676	9,946	291,064

SOUTH CAROLINA ELECTRIC & GAS COMPANY
CLASS RATE OF RETURN RELATIONSHIPS
12 Months Ending 3/31/07

	BEFORE INCREASE		% INCREASE (COL. 3)	AFTER INCREASE	
	RATE OF RETURN (COL. 1)	% OF RETAIL ROR (COL. 2)		RATE OF RETURN (COL. 4)	RELATIONSHIP (COL. 5)
RESIDENTIAL	7.04%	96%	7.49%	8.89%	97%
SMALL	8.80%	120%	5.83%	10.34%	113%
MEDIUM	7.32%	100%	6.87%	9.18%	100%
LARGE	6.56%	89%	5.96%	8.72%	95%
LIGHTING	7.94%	108%	8.17%	9.67%	105%
TOTAL RETAIL	7.33%	100%	6.75%	9.18%	100%

SOUTH CAROLINA ELECTRIC & GAS COMPANY
BASIC FACILITIES CHARGE

<u>RESIDENTIAL</u>	<u>CURRENT</u>	<u>PROPOSED</u>	<u>COST OF SERVICE</u>
RATES 1, 2, 6, 8	\$7.50	\$8.50	
RATE 5, 7	\$11.25	\$12.75	
TOTAL RESIDENTIAL GROUP			\$19.82
<u>SMALL GENERAL SERVICE</u>			
RATES 3, 9, 13	\$15.00	\$16.50	
RATES 10, 14	\$7.50	\$8.50	
RATES 11, 16, 28	\$18.15	\$20.15	
RATES 12, 22	\$9.80	\$10.80	
TOTAL SGS GROUP			\$31.76
<u>MEDIUM GENERAL SERVICE</u>			
RATE 20	\$120.00	\$140.00	
RATE 21, 21A	\$135.00	\$155.00	
TOTAL MGS GROUP			\$278.70
<u>LARGE GENERAL SERVICE</u>			
RATE 23	\$1,200.00	\$1,400.00	
RATE 24	\$1,200.00	\$1,400.00	
Contracts	\$1,200.00	\$1,400.00	
TOTAL LGS GROUP			\$2,498.18